

Message Text

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O R 031100Z JUL 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 6431

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMCONSUL NHA TRANG

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS UNN

CIA

DIA

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JUSMAAG

WHITE HOUSE

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C O N F I D E N T I A L SECTION 1 OF 3 SAIGON 8835

EO 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJ: EMBASSY SAIGON'S MISSION WEEKLY , JUNE 27-JULY 3, 1974

BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;
DOD FOR USAJFKCMA ATTN: ATCS-WL-DSA

THE WEEK IN SUMMARY

THE CEASEFIRE: HEAVY FIGHTING. HIGHEST CASUALTIES SINCE PARIS
AGREEMENT IN MR-3

PRES THIEU WARMLY CONGRATULATES US ON FOURTH OF JULY

MRS NGO BA THANH COURTEOUSLY RECEIVED DURING PETITION FOR
RELEASE OF "POLITICAL "PRISONERS"

SOME UNCERTAINTY REMAINS IN HOA HAO LAND

FURTHER DETENTE IN GVN-CAMBODIAN COMMUNAL RELS IN KIEN GIANG

PRES THIEU MEETS PROVINCE CHIEFS IN MR-2 AND MR-3

THE CASE OF THE 118 ILLEGAL IMMIGRANTS TO HONG KONG

PROVINCIAL COUNCIL ELECTION CAMPAIGN GETS UNDERWAY

NATIONAL ASSEMBLY ENDS REGULAR SESSION; SUPREME COURT
ELECTION BILL GOES TO PRES; UPPER HOUSE COMPLETES
FERTILIZER INVESTIGATION

GVN PARTICIPATION IN LOS CONFERNECE
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ECONOMIC - NEW PACKAGE OF ECONOMIC MEASURES; BLACK MARKET RATE
OF DOLLAR UP, GOLD DOWN

I. INTERNAL

A. THE CEASEFIRE

IN MR-1 THE NUMBER OF VIOLATIONS DROPPED SIGNIFICANTLY, EXCEPT IN QUANG NAM. THERE THE NUMBER OF MINING INCIDENTS REMAINED HIGH, AND ROCKET/MORTAR SHELLING REACHED A THREE MONTH HIGH POINT. IN THUA THIEN RVN FORCES RETOOK H273 SOUTH OF HUE AFTER SEVERAL WEEKS LOW KEY EFFORT. THROUGHOUT THE REGION, CASUALTY NUMBERS REMAINED ON A PAR WITH PREVIOUS WEEKS DESPITE FEWER INCIDENTS. THE NUMBER OF INCIDENTS REMAINED LOW IN MR-2 AND THE NUMBER OF AIR STRIKES WAS WELL DOWN. RUMORS CIRCULATED IN MR-2 THAT THE HUNGARIAN ICCS TEAM WAS THINKING OF PULLING ALL OFFICERS BACK TO AT LEAST THEIR REGIONAL HQS. THE NUMBER OF INCIDENTS IN MR-3 DECLINED, WITH THE HIGHEST ACTIVITY REMAINING IN BINH DUONG WHERE HEAVY COMBAT CONTINUES. CASUALTIES IN THE REGION WERE THE HIGHEST SINCE THE CEASEFIRE. RVNAF ARTILLERY USAGE ROSE SHARPLY. DESPITE PERSISTENT RVNAF ATTACKS COMMUNIST FORCES CONTINUE TO OCCUPY OUTPOST 2 AND RACH BAP. NVA SAPPERS STRUCK A TRAINING CENTER IN BIEN HOA KILLING BOTH MILITARY PERSONNEL AND DEPENDENTS. OVERALL, ACTIVITY IN MR-4 DECLINED WITH THE EXCEPTION OF DINH TUONG WHERE INCREASED ACTIVITY DUE MOSTLY TO GVN OPERATIONS WAS REPORTED. ENEMY ACTION DROPPED SHARPLY IN KIEN GIANG. ACTIVITY ALSO DROPPED IN BAC LIEU AND IN BA XUYEN THOUGH GVN CASUALTIES ROSE IN THE LATTER. THE HUNGARIAN CHAIRMAN COMPLETED THE MONTH OF JUNE WITHOUT CONVENING A PLENARY SESSION OF THE ICCS, DUE TO THE AGENDA IMPASSE ON CEASEFIRE COMPLAINTS.

"PRG" REP AT THE WEEKLY PRESS BRIEFING JUNE 29 REITERATED THAT NEITHER THE TPJMC OR FPJMC "PRG" DELS WILL RETURN TO THOSE MEETINGS UNTIL THEY ARE GRANTED THE "PRIVILEGES AND IMMUNITIES" THEY HAVE DEMANDED. AS A CONSEQUENCE, THERE WERE NO MEETINGS OF THE TPJMC THIS WEEK AND ONLY THE US AND RVN DELS APPEARED FOR SCHEDULED FPJMT MEETINGS.

THE IHE FACE OF THE COMMUNISTS' CONTINUING NON-COMPLIANCE WITH THE PARIS AGREEMENT PROVISIONS REGARDING THE RETURN OF THE DEAD
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AND PROVISION OF INFORMATION ON THE MISSING, THE US AND THE RVN CONTINUED THEIR OWN EFFORTS TO FURTHER THE HUMANITARIAN GOALS STIPULATED THEREIN. ON JUNE 28 A SMALL RVNAF PARTY RECOVERED THE REMAINS OF AN AMERICAN PILOT AND TWO RVNAF PERSONNEL FROM AN ISOLATED CRASH SITE. THE AMERICAN REMAINS WERE DELIVERED TO US PERSONNEL AT A SOLEMN, MOVING CEREMONY AT DANANG ON JUNE 28. EFFORTS TO RECOVER THE REMAINS OF BOTH US AND RVNAF PERSONNEL AT OTHER CRASH SITES CONTINUES.

B. PRES THIEU WARMLY CONGRATULATES US ON FOURTH OF JULY

PRES THIEU HAS FORWARDED A LETTER TO PRES NIXON WARMLY CONGRATULATING THE US ON THE OCCASION INDEPENDENCE DAY. THE LETTER NOTED THE ADMIRATION OF THE PEOPLE OF VIETNAM FOR THE VICTORY OF THE AMERICAN PEOPLE OVER FOREIGN OPPRESSION WHICH IS COM-

MEMORATED EACH FOURTH OF JULY, AND ADDED AN EXPRESSION OF "EARNEST HOPE THAT THE TREMENDOUS EFFORTS MADE BY OUR TWO PEOPLES TO CHECK THE MOST RUTHLESS FORCES OF OPPRESSION WILL ACTIVELY CONTINUE IN A FRUITFUL COOPERATION BETWEEN OUR TWO COUNTRIES FOR THE SAKE OF LASTING PEACE AND FREEDOM IN VIETNAM."

C. MRS NGO BA THANH COURTEOUSLY RECEIVED DURING PETITION FOR RELEASE OF "POLITICAL PRISONERS"

ON JUNE 21 RADICAL DISSIDENT MRS NGO BA THANH ACCOMPANIED BY TEN ASSOCIATES VISITED THE BIEN HOA CHIEU HOI (RALLIER) CENTER TO PETITION FOR THE UNCONDITIONAL RELEASE TO THE "THIRD FORCE", WHICH MRS THANH CLAIMS TO REPRESENT, OF FOUR PERSONS DETAINED AT THE CENTER. INCLUDED IN THE FOUR IS MISS CAO THI QUE HUONG, ARRESTED FOR COMMUNIST ACTIVITIES AND PRESENTED FOR RELEASE TO THE "PRG" AT LOC NINH IN MARCH 1974. MISS HUONG REFUSED TO BE TURNED OVER TO THE COMMUNIST SIDE THEN AND REPORTEDLY REQUESTED TO REMAIN ON THE GVN SIDE AS A "RALLIER". THE GVN OFFICIAL IN CHARGE AT THE BIEN HOA CHIEU HOI CENTER WHEN MRS THANH AND HER GROUP APPEARED EXPLAINED TO THEM THAT MISS HUONG AND THE OTHER THREE HAD REQUESTED TO REMAIN AS RALLIERS BUT HAVE SUBSEQUENTLY REFUSED TO ACCEPT THE USUAL RALLIER PROCESSING. MRS THANH WAS TOLD THAT THE FOUR WOULD CONTINUE TO BE HELD AT THE CHIEU HOI CENTER UNTIL THE INFORMATION AND CHIEU HOI MINISTRY DECIDES WHAT TO DO WITH THEM.

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COMMENT: THIS CALL AT THE BIEN HOA CHIEU HOI CENTER REPRESENTS ANOTHER EFFORT BY MRS THANH TO KEEP THE ISSUE OF "POLITICAL PRISONERS" BEFORE THE PUBLIC. IT SHOULD (BUT PROBABLY WILL NOT) BE NOTED BY THE REPORTERS TO WHOM MRS THANH WILL RELATE THE INCIDENT THATSHE WAS FREE TO TRAVEL TO BIEN HOA, TWENTY MILES FROM SAIGON, AND WAS THERE RECEIVED COURTEOUSLY BY A RESPONSIBLE GVN OFFICIAL AND GIVEN AN ACCURATE ACCOUNT OF THE CURRENT STATUS OF THE CASE IN WHICH SHE IS INTERESTED.

D. SOME UNCERTAINTY REMAINS IN HOA HAO LAND

FOLLOWING THE JUNE 21 MEETING BETWEEN HOA HAO FACTION LEADER LUONG TRONG TUONG AND PRESIDENT THIEU REPORTED LAST WEEK (SAIGON 8474), THE CONFRONTATION BETWEEN THE TUONG FACTION AND THE GVN OVER HIS "SEVEN DEMANDS" HAS SUBSIDED TO A DEGREE, BUT NOT ENTIRELY. THERE ARE APPARENTLY THOSE WITHIN THE TUONG FACTION

"SELF DEFENSE FORCE" WHO DO NOT WANT TO TURN OVER THEIR WEAPONS TO THE GVN EVEN IF, AS PROMISED TUONG ON JUNE 21, THEY ARE TO GET SOME OF THEM BACK LATER. NO FURTHER ARMS TURNOVER HAS TAKEN PLACE. THIS ISSUE THUS REMAINS YET TO BE RESOLVED.

E. FURTHER DETENTE IN GVN-CAMBODIAN COMMUNAL RELATIONS IN KIEN GIANG

THERE HAS BEEN A FURTHER REDUCTION IN COMMUNAL TENSIONS IN KEIN GIANG PROVINCE FOLLOWING THE DISMISAL OF THE CHIEF OF KIEN THANH DISTRICT. THIS IS THE DISTRICT WHERE THE JUNE 10 INCIDENT OCCURRED WHICH RESULTED IN THE DEATH OF FOUR ETHNIC CAMBODIACK AND THE WOUNDING OF A NUMBER OF OTHERS BY GUNFIRE FROM POLICE OVER-REACTING IN A CONFRONTATION WITH PROTESTORS. THE DISTRICT CHIEF'S DISMISSAL HAD BEEN DEMANDED BY CAMBODIAN COMMUNITY LEADERS, AND REPRESENTS A FURTHER CONCESSION TO THEM BY THE GVN WHICH HAS MOVED EFFECTIVELY TO DEFUSE THE ONCE-TENSE SITUATION (SEE SAIGON'S CONFIDENTIAL

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7745, 8084, AND 8474.)

F. PRESIDENT THIEU MEETS PROVINCE CHIEFS IN MR 3 AND MR 2

PRESIDENT THIEU CONTINUED HIS PATTERN OF BRIEF VISITS TO EACH OF THE MILITARY REGIONS THIS WEEK WITH TRIPS TO MR 3 ON JUNE 27 AND TO MR 2 ON JUNE 28.

IN EACH OF THESE TRIPS, THIEU MADE MUCH THE SAME PRESENTATION TO THE PROVINCE CHIEFS OF THE REGION HE WAS VISITING. THE PRESIDENT'S TALKS TOUCHED ON AND EXPLAINED POINTS HE ADDRESSED IN HIS JUNE 19 ARMED FORCES DAY MESSAGE (SEE SAIGON 8084).

THE FOUR AREAS DISCUSSED BY THE PRESIDENT INCLUDED: THE JULY 14 PROVINCE COUNCIL ELECTIONS; ELIMINATION OF CORRUPTION IN THE CIVIL BUREAUCRACY AND IN THE MILITARY; URGENT IMPLEMENTATION OF ADMINISTRATIVE REFORMS; AND THE IMPORTANCE OF SUB-SUBSECTOR COMMANDERS.

THE PRESIDENT EMPAHSIZED THAT THE ELIMINATION OF "CORRUPTION AT ALL LEVELS" IN BOTH THE CIVILIAN BUREAUCRACY AND IN THE MILITARY IS MANDATORY. REPORTS FROM THE CONSULATES GENERAL IN BOTH MR 3 AND MR 2 INDICATE THAT THIEU SEEMED TO BE EMPHASIZING THE NECESSITY OF ROOTING OUT CORRUPTION WHEREVER FOUND MORE STRONGLY THAN HE HAS IN THE PAST.

PRESIDENT THIEU INSISTED THAT THE REFORMS ANTICIPATED IN MID-1973 AND OUTLINED IN THE DEGREE OF JANUARY 1,1974 MUST BE CARRIED OUT.

THIEU OBSERVED AT THE MEETING IN MR 3 THAT HE HAD PROMISED THE PEOPLE THAT THE ADMINISTRATIVE REVOLUTION WOULD BE ACCOMPLISHED WITHIN SIX MONTHS. NOW, A YEAR LATER, THE REFORMS STILL HAD NOT

BEEN IMPLEMENTED.

ON HIS LAST MAJOR POINT-THE ROLE OF SUB-SUBSECTOR COMMANDERS-THIEU OBSERVED THAT SEVENTY-FIVE PERCENT OF THE WAR IS FOUGHT AT THE VILLAGE LEVEL. THE PRESIDENT INSTRUCTED THE ASSEMBLED PROVINCE CHIEFS TO CHOOSE SUB-SUBSECTOR COMMANDERS CAREFULLY AND ASSIST THEM IN EVERY WAY POSSIBLE TO MAINTAIN SECURITY AT THE VILLAGE LEVEL.

SEE ITEM BELOW FOR THIEU'S COMMENTS ON THE COMING ELECTIONS.
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G. THE CASE OF THE 118 ILLEGAL IMMIGRANTS TO HONG KONG

ON JUNE 15, 1974, AFTER AGREEMENT BETWEEN HONG KONG AND THE RVN, 118 PERSONS WERE DEPORTED FROM HONG KONG TO SOUTH VIETNAM AFTER THE HONG KONG IMMIGRATION AUTHORITIES HAD CAUGHT THEM TRYING TO ENTER HONG KONG ILLEGALLY. (SEE SAIGON 8084.) ALL OF THESE PERSONS WERE RVN CITIZENS, AND IT IS BELIEVED ALL WERE ETHNIC CHINESE. ONE, TRUONG HONG, WAS A FUGITIVE IN THE CELEBRATED "MARTELL CONVOY" SMUGGLING CASE (ALSO SEE SAIGON 8084). MOST BUT NOT ALL THE OTHERS WERE DRAFT EVADERS OF ARMY DESERTERS. THEIR ATTEMPTED ENTRY INTO HONG KONG WAS CLEARLY THE WORK OF AN ONGOING SMUGGLING RING OPERATING OUT OF SOUTH VIETNAM.

SHORTLY AFTER THESE PERSONS WERE BACK IN SOUTH VIETNAM, THE GVN DECIDED TO SEND THEM TO THE PRISON ON CON SON ISLAND DURING THEIR SCREENING. APPARENTLY THE REASON FOR THIS MOVE WAS TO AVOID ESCAPE THROUGH BRIBERY, A POSSIBLE DANGER IN MAINLAND JAILS. THE BRITISH EMBASSY IN SAIGON EXPRESSED CONCERN TO THE GVN OVER THE INTERNATIONAL REPERCUSSIONS, NOTING CON SON'S (UNJUSTIFIED) REPUTATION ABROAD FOR GRIM PHYSICAL CONDITIONS. THE GVN ASSURED THE BRITISH THAT THE PRISONERS WOULD BE WELL TREATED AND THAT THEIR CASES WOULD BE QUICKLY DISPOSED OF THROUGH NORMAL LEGAL PROCESSES. THE SCREENING IS EXPECTED TO BE OVER IN A WEEK OR TEN DAYS.

H. NATIONAL ASSEMBLY ENDS REGULAR SESSION: SUPREME COURT ELECTION BILL GOES TO PRESIDENT; UPPER HOUSE COMPLETES FERTILIZER INVESTIGATION

THE NATIONAL ASSEMBLY ENDED ITS APRIL-JUNE REGULAR SESSION LAST WEEK WITH A SERIES OF PLENARY SESSIONS IN BOTH HOUSES CLEANING UP THE MOST PRESSING PENDING BUSINESS. THE NEXT REGULAR SESSION WILL BEGIN IN EARLY OCTOBER WHEN THE 1974-75 LEGISLATIVE TERM WILL BEGIN. EITHER HOUSE MAY BE CALLED INTO EXTRAORDINARY PLENARY SESSION IN THE INTERVENING MONTHS, BUT NONE IS CURRENTLY FORESEEN.

THE LOWER HOUSE JUNE 27 FAILED TO MUSTER THE TWO-THIRDS VOTE NEEDED TO OVERRIDE THE UPPER HOUSE CHANGES IN THE BILL GOVERNING

THE ELECTION OF SUPREME COURT JUSTICES. THUS, THE UPPER HOUSE
VERSION WENT TO THE PRESIDENT, WHO MAY EITHER SIGN IT OR REQUEST
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AMENDMENTS FOR NATIONAL ASSEMBLY CONSIDERATION. WE HAVE NO WORD
YET OF THE ACTION HE PLANS TO TAKE. (SEE SAIGON 8474, ITEM I. J
FOR FURTHER DETAILS OF THE BILL'S CONTENTS.)

AN UPPER HOUSE PLENARY SESSION JUNE 29 RECEIVED THE FINAL
REPORT OF THE SPECIAL COMMITTEE INVESTIGATING FERTILIZER
DISTRIBUTION PROBLEMS. THE REPORT COMPLETED THE COMMITTEE'S EARLIER
STUDY PUBLISHED MAY 31 (SEE SAIGON 7375, ITEM I. B). THE FINAL REPORT
CONTAINED EIGHT "REMARKS" AND EIGHT RECOMMENDATIONS, AL OF WHICH
WERE APPROVED BY THE SENATORS IN VOTES RANGING FROM 39 OF 43 PRESENT
TO 42 OF 43. THE MOST STRIKING RECOMMENDATIONS WERE TWO THAT
REQUESTED THE DISMISSAL OF MINISTER OF TRADE AND INDUSTRY NGUYEN
DUC CUONG AND OF TEN PROVINCE CHIEFS AND MAYORS. THE COMMITTEE
CALLED THE MINISTRY OF TRADE AND INDUSTRY "INCOMPETENT" IN THE
FACE OF WRONG DOING SEEN IN FERTILIZER MARKETING PRACTICES.

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C O N F I D E N T I A L SECTION 3 OF 3 SAIGON 8835

I. PROVINCIAL COUNCIL ELECTION CAMPAIGN GETS UNDERWAY

THE CAMPAIGN PERIOD FOR THE JULY 14 PROVINCIAL AND MUNICIPAL COUNCIL ELECTIONS HAS BEGUN. POSTERS OF CANDIDATES HAVE SPRUNG UP IN DOWNTOWN SAIGON SHOWING PICTURES AND SYMBOLS OF THE HOPEFULS AND OUTLINING THEIR PLATFORMS. A FEW OPPOSITION CANDIDATES IN THE CAPITAL HAVE ALREADY COMPLAINED THAT SAIGON AUTHORITIES INTERFERED WITH THE PRINTING AND DISTRIBUTION OF THEIR POSTERS. THOUGH AIRED IN THE PRESS, THESE ACCUSATIONS HAVE NOT AFFECTED THE ATMOSPHERE OF THE CAMPAIGN.

PRESIDENT THIEU HAS BRIEFED MR 2 AND MR 3 LEADERS ON THE UPCOMING ELECTION, SAYING THAT THE PROVINCE CHIEFS SHOULD OVERSEE THE CAMPAIGN WITH A VIEW TO ENCOURAGING THE ELECTION OF GOOD NATIONALISTS FROM GROUPS IN THE FOLLOWING OF PREFERENCE: DEMOCRACY PARTY ADHERENTS, INDEPENDENTS WHO ARE "GOOD NATIONALISTS",

RELIGIOUS GROUP CANDIDATES, OPPOSITIONISTS WHO ARE GENUINE NATIONALISTS. (SEE ABOVE.)

II. EXTERNAL

GVN PARTICIPATION IN LOS CONFERENCE

OFFICIAL VIETNAM PRESS HAS REPORTED THAT FOREIGN MINISTER VUONG VAN BAC ADDRESSED THE LOS CONFERENCE IN CARACAS JUNE 29, NOTABLY REASSERTING RVN SOVEREIGNTY OVER THE PARACEL ISLANDS (SEIZED BY CHINA LAST JANUARY) AND THE SPRATLY ISLANDS (CLAIMED BY CHINA AMONG OTHERS). THE PREVIOUS DAY HE PAID A COURTESY CALL ON VENEZUELAN FOREIGN MINISTER SCHACHT ARTISTEGUIETA. (GVN WOULD LIKE TO ESTABLISH DIPLOMATIC RELATIONS WITH VENEZUELA.) BAC SUBSEQUENTLY LEFT CARACAS FOR LONDON, AND ON JULY 2, ACCORDING TO VIETNAM PRESS, ACTING GVN DEL CHIEF LE VAN LOI RESPONDED
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ENERGETICALLY TO A CHINESE STATEMENT CALLING FOR "PRG" PARTICIPATION IN CONFERENCE AND ASSERTING CHINA'S CLAIM TO THE PARACEL AND SPRATLY ISLANDS. LOI REPORTEDLY RESPONDED THAT "SO-CALLED NFL" WAS BUT A GHOST ORGANIZATION CREATED BY HANOI, AND THAT RED CHINESE SEIZURE OF THE PARACEL ISLANDS HAD GIVEN A NEW DIMENSION TO ITS EXPANSIONIST AND IMPERIALISTIC POLICY AGAINST THE DEVELOPING COUNTRIES ON ITS BORDER.

END CONFIDENTIAL

BEGIN UNCLASSIFIED

III. ECONOMIC

A. BROAD ECONOMIC MEASURES ANNOUNCED

CLIMAXING SEVERAL MONTHS OF DEBATE, THE CABINET COUNCIL ON JULY 1 ANNOUNCED A PACKAGE OF ECONOMIC MEASURES DESIGNED TO "POINT THE ECONOMY IN THE DIRECTION OF INCREASED DOMESTIC PRODUCTIN AND ECONOMIC INDEPENDENCE". THE GOVERNMENT COMMUNIQUE LISTED THE MEASURES AS FOLLOWS:

A. PADDY AND FERTILIZER PRICES--REACTING TO SKYROCKETING WORLD FERTILIZER PRICES, THE GOVERNMENT HAS DECIDED TO ALLOW PADDY RPICES TO RISE GRADUALLY, WHILE AT THE SAME TIME SUBSIDIZING SALES OF IMPORTED FERTILIZER. THE OBOJECTIVE OF THIS POLICY WILL BE TO PREVENT THE RATIO OF PADDY/FERTILIZER PRICES FROM RISING ABOVE 1:2, IN ORDER TO MAINTAIN THE INCENTIVE TO USE FERTILIZER. CURRENT DELTA PADDY PRICES ARE ABOUT VN\$110/KILO WHILE UREA IS SELLING FOR VN\$200/KILO. HOWEVER, RECENT HIGH-PRICED IMPORT SHIPMENTS COULD DRIVE THE UNSUBSIDIZED PRICE WELL OVER VN\$300/KILO. ALTHOUGH THE GOVERNMENT HAS NOT YET ANNOUNCED A HIGHER GUARANTEED PADDY PRICE

OR THE NEW SUBSIDIZED FERTILIZER PRICE, IT DID RAISE THE OFFICIAL SELLING PRICE OF IMPORTED US RICE FROM VN\$165/KILO TO \$185 FOR MEDIUM GRAIN AND FROM \$175 TO \$195 FOR LONG GRAIN. THE MOVE WILL ALMOST CERTAINLY RAISE MARKET PRICES FOR DOMESTIC RICE AND PADDY.

B. GOVERNMENT EMPLOYEE PAY RAISE--SOLDIERS AND CIVIL SERVANTS WILL RECEIVE AN AVERAGE 25 PERCENT BOOST IN WAGES, DIVIDED AMONG THE RICE ALLOWANCE, BASIC PAY AND OTHER ALLOWANCES. THE INCREASE, WHICH CONFIDENTIAL

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WILL ALSO AFFECT WAR VETERANS BENEFITS, WILL BE RETROACTIVE TO JUNE 1, AND WILL COST VN\$48 BILLION THIS YEAR, OF WHICH ABOUT VN\$7 BILLION WILL BE RECOVERED FROM THE HIGHER PRICES FOR THE SALE OF IMPOLED RICE.

C. STRENGTHEN PRICE CONTROLS--IN AN EFFECT TO "CONTROL MARKET PRICES AND REGULARIZE SUPPLY", THE GOVERNMENT WILL REDOUBLE ITS POLICING OF THE MARKETPLACE. THE SPECIAL CAMPAIGN OPENING IN SAIGON JULY 1 WILL FEATURE 20 MOBILE CONTROL TEAMS COMPRISING REPRESENTATIVES FROM THE MINISTRY OF TRADE AND INDUSTRY, MUNICIPAL GOVERNMENT, DIRECTOR GENERAL OF TAXATION AND POLICE. THEY WILL CHECK MERCHANT INVENTORIES AS WELL AS PRICES. IN ADDITION, THE NATIONAL FOOD AGENCY WILL RESERVE 25,000 MT OF RICE A MONTH FOR SALES TO RETAIL OUTLETS IN SAIGON AT OFFICIAL PRICES AS A PRICE REGULATING MECHANISM. SIMILARLY, THE GOVERNMENT PLANS TO USE ITS FROZEN PORK STOCKS TO CONTROL PORK PRICES.

D. REDUCE IMPORTS AND CONSUMPTION--IMPORTS OF 54 CATEGORIES OF COMMODITIES CONSIDERED NON-ESSENTIAL WERE SUSPENDED TEMPORARILY "UNTIL FURTHER NOTICE". ALL THE ITEMS ARE ON THE TRADE MINISTRY'S "C AND D" LISTS, FOR WHICH BANK FINANCING WAS ALREADY PROHIBITED AS OF LAST FEBRUARY. EXPECTING A RISE IN SMUGGLING IN REACTION TO THESE IMPORT RESTRICTIONS, THE GOVERNMENT PLANS TO CONTINUE THE CUSTOMS AGENCY ANTI-SMUGGLING CAMPAIGN. IT ALSO WILL RESTRICT ADVERTISING AND SALES OF NON-ESSENTIAL ITEMS WILL BE CONFINED TO DESIGNATED OUTLETS PATRONIZED BY TOURISTS, SIMILAR TO THE MEASURES CURRENTLY IN EFFECT FOR SALES OF IMPORTED LIQUOR AND CIGARETTES. TO PROMOTE SUGAR CANE PRODUCTION AND CONSERVE FOREIGN EXCHANGE, THE GOVERNMENT WILL NO LONGER SELL SUGAR FOR HOUSEHOLD CONSUMPTION. ONLY INDUSTRIAL USERS WILL BE ELIGIBLE TO PURCHASE FROM THE GOVERNMENT'S DIMINISHING IMPORTED STOCKS, WHICH IT PLANS TO EXHAUST BY NEXT YEAR AND NOT REPLENISH.

E. INTEREST RATES--COMMERCIAL BANK SAVINGS AND TERM DEPOSIT RATES ARE RAISED 2 PERCENT, AS ARE TREASURY BOND RATES. AGRICULTURE DEVELOPMENT BANK LENDING RATES REMAIN UNCHANGED.

F. EMPLOYMENT--MEASURES TO HELP THE UNEMPLOYED HAD BEEN DECIDED ON RECENTLY, BUT WERE REPEATED IN THE JULY 1 PACKAGE. VN\$2 BILLION

IS COMMITTED TO EXPAND LABOR INTENSIVE PROJECTS IN MR 1 AND II
("DANANG PROJECT") AND VN\$1 BILLION IS COMMITTED TO A SIMILAR
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PROGRAM BEING SET UP IN SAIGON. THE FIRST EXPORT PROCESSING ZONE
IS TO BE COMPLETED BY THE END OF 1974; SPECIAL INDUSTRIAL
DEVELOPMENT BANK CREDIT FOR LABOR INTENSIVE PROJECTS IS TO BE
MADE AVAILABLE IN CENTRAL VIETNAM, AND THE LAND CLEARING AND
HAMLET BUILDING PROGRAM IS TO BE EXPANDED.

B. PRICES EDGE UP

USAID'S RETAIL PRICE INDEX GAINED 0.5 PERCENT DURING THE WEEK
ENDED JULY 1. IN THE FIRST HALF OF 1974, THE OVERALL WEEKLY INDEX ROSE

28.8 PERCENT, BUT THE INCREASE IN THE SECOND QUARTER WAS LESS THAN
7 PERCENT. RICE PRICES WERE UP AGAIN THIS WEEK, 1-2 PERCENT.
SHRIMP ROSE 10 PERCENT IN RESPONSE TO RENEWED FOREIGN DEMAND. THE
GOVERNMENT ALSO AUTHORIZED A 12 PERCENT INCREASE IN BEER PRICES
DURING THE WEEK. ON THE NON-FOOD SIDE, MEN'S SHIRTS AND CHLOROMYCETIN
PRICES GAINED 4 AND 3 PERCENT, RESPECTIVELY, THE ONLY ITEMS TO
CHANGE THIS WEEK.

C. BLACK MARKET ANTICIPATES EXCHANGE RATE CHANGE

THE DOLLAR RATE ON THE BLACK MARKET JUMPED FROM 625 TO 638
DURING THE WEEK, APPARENTLY REFLECTING A RUMORED RISE IN THE
OFFICIAL RATE, WHICH WAS, HOWEVER, NOT ANNOUNCED. SAIGON GOLD
PRICES DROPPED US\$2 PER TROY OUNCE, TO \$145.82, FOLLOWING A
SIMILAR TREND IN HONG KONG.
MARTIN

CONFIDENTIAL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ARMISTICE, TREATY VIOLATION, COMBAT OPERATIONS, COMBAT CASUALTIES, MILITARY AGREEMENTS, MEETINGS, TRUCE OBSERVERS, POLITICAL PRISONERS, ECONOMIC PROGRAMS, ELECTIONS, CENTRAL LEGISLATURE
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ISecure: 1
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Review Release Date: n/a
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Status: NATIVE
Subject: EMBASSY SAIGON'S MISSION WEEKLY , JUNE 27-JULY 3, 1974 BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;
TAGS: PINT, PFOR, ECON, VS, TPJMC, ICCS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005